

Managerial Economics

Introduction

Managerial Economics is concerned with the application of economic principles to key management decisions. It provides guidance to increase value creation within an organization and allows for a better understanding of the external business environment in which the organization operates. A primary purpose of this course is to develop a tool kit useful in other MiM courses and useful in decision making in business. Economics is a key foundation for much of what is taught in finance, marketing and strategy.

Objectives

The aims of this course are to illustrate the central decision problems managers face and to provide the economic analysis they need to guide these decisions. Managers in business, government and non-profit enterprises must make decisions under constraints and limited resources. Economics is fundamentally a unique way of thinking about these kinds of problems, issues and decisions. This way of thinking stresses the importance of incentives as determinants of human behavior and performance and emphasizes the consideration of costs and benefits in reaching decisions. Adopting the economic approach should enable participants to make consistent assumptions and predictions about the local and international business environment. It should also allow them to enrich their strategies through economic analysis.

Learning Outcomes

RA12. Equip students with learning skills that enable them to continue studying independently and self-directedly.

RA1. Possess and comprehend knowledge that provides a basis or opportunity to generate original ideas in the development and application of concepts, often within a research context.

RA19. Enable students to apply acquired knowledge and solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study.

RA11. Enable students to integrate knowledge and address the complexity of making judgments based on incomplete or limited information, including reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.

RA20. Enable students to communicate their conclusions, along with the knowledge and rationale supporting them, to both specialized and non-specialized audiences clearly and unambiguously.

RA21. Listen, understand, and compare differing viewpoints to develop an objective understanding of a business situation. Communicate in a structured and persuasive manner (Interpersonal communication).

RA13. Work effectively in multicultural teams, assuming project leadership when necessary. Integrate the value of diversity into the team's decision-making and work process (Multicultural teamwork skills).

RA14. Critically evaluate information and the context of a business situation to reach prudent decision-making conclusions (Critical thinking).

RA22. Acquire self-knowledge and self-control necessary to work effectively under pressure in professional environments, understanding others' motivations and the corporate culture (Emotional intelligence).

RA2. Apply well-established ethical criteria in business decision-making, respecting the inherent dignity of each individual and the pursuit of the common good. (Integrity)

Specific Competences

RA3. Identify relevant data to diagnose a business problem and generate sensible decision alternatives.

RA6. Develop rigorous business plans that achieve viability status under the scrutiny of real investors.

RA26. Identify a company's sources of competitive advantage to assess its sustainability in the future based on the industry's competitive structure, expected competitor responses, and the company's internal resources.

RA17. Manage multidisciplinary approaches for the definition of products and services aimed at strengthening their commercialization (Business development).

Content

The course discusses the following topics:

- Introduction to Economics
- How Markets Work
- Price Floors and Price Ceilings
- Taxes
- Cost Analysis
- Demand Analysis and Price Discrimination
- Monopoly
- Oligopoly
- Game Theory and Competitive Strategy
- Externalities, property rights and the environment
- Auctions
- Aggregating Information: Prediction Markets
- Aggregating Information: Surprisingly Popular Mechanism

Instructional Activities

AF1: Training sessions and meetings with the teacher (classes, seminars, lectures, tutorials, company visits, simulations): 15hrs

AF2: Individual student work (personal study, preparation of assignments): 33hrs

AF3: Teamwork (preparation of group assignments and execution of simulations): 10hrs

AF4: Evaluation tests: 2hrs

Evaluation

There is one final exam. Practice problem sets will be posted on Global Campus and they will not be graded:

- Final Exam 40%
- Class Participation 30%
- Quizzes: 30%

The IESE Business School's Honor Code and Learning Partnership apply to all activities in this course. For individual assignments, unless explicitly stated, you should not interact with anyone else. For deliverables to be done in teams you should interact only with the members of your team.

